1969 no. 1

THE GOVERNOR'S COMMISSION FOR MODERN STATE GOVERNMENT

"LITTLE HOOVER COMMITTEE"

REPORT NUMBER I

CAPITAL IMPROVEMENTS PLANNING & BUDGETING

March, 1969

COMMONWEALTH OF PENNSYLVANIA

THE GOVERNOR'S COMMISSION FOR MODERN STATE GOVERNMENT

"LITTLE HOOVER COMMITTEE"

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RAYMOND P. SHAFER, Governor
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HON. JOHN S. RICE, Co-Chairman
JOSEPH J. McHUGH, Executive Director

March 14, 1969

Honorable Raymond P. Shafer
Governor of Pennsylvania
Harrisburg, Pennsylvania

Dear Governor Shafer:

Presented herewith is Report Number I of the Little Hoover Committee.

The Committee selected as one of the first areas to which it would give attention the subject of capital improvements planning and budgeting. It was thought that this subject required priority because of impending legislative action to implement the recent constitutional amendments requiring preparation by the Governor of five-year and annual capital budgets. Specifically, the Committee undertook to study and to make recommendations for possible improvements in the organization and procedures for capital improvements planning and budgeting, beginning with the conception of a capital project and terminating with the submission to the legislature of that project as a part of the current capital budget.

The basic study in this area was conducted by the Task Force on Capital Expenditures and Public Works, composed of John W. Ingram, Chairman, Martin H. Brackbill, Representative H. Jack Seltzer, Senator George N. Wade and William G. Willis.

The Task Force reviewed previous reports of studies of the Commonwealth capital budgeting and construction practices, including those prepared by the Pennsylvania Economy League, by Day and Zimmerman, Inc., by the Fels Institute of Local and State Government, and by the Stanford Research Institute. In a series of five meetings, extending over a period of three months, the Task Force heard testimony concerning the present capital budget system and potential improvements therein from the Director of Planning for the City of Philadelphia, and from twelve individuals closely associated with and knowledgeable of the capital budgeting system for the Commonwealth, including representatives of the Office of Administration, the State Planning Board, the General State Authority, the Department of Property and Supplies, the Department of Public

Instruction, and from a former chairman of the House Appropriations Committee.

From the testimony of these witnesses and from other sources of information, including the personal experience of its members, it was evident to the Task Force that several major deficiencies have impeded effective planning and budgeting for the Commonwealth's capital improvements. Prominent among these deficiencies are:

1. The absence or inadequacy of comprehensive long-range planning for functions and facilities by the major state operating departments and institutions;

2. The absence or inadequacy of proper and realistic preliminary planning from the earliest stages of conception of a capital improvements project;

3. The absence of a clear allocation of responsibilities and working relationships among the several Commonwealth agencies involved in capital improvements planning and budgeting, including the operating agencies, State Planning Board, Highway Planning Commission, Department of Property and Supplies, and the Budget Secretary;

4. The lack of a clear definition for budgeting purposes of capital improvements and expenditures.

The recommendations which follow, and which are numbered 1 through 21, were submitted by the Task Force to the full Committee, and were adopted and approved for submission to you as Committee recommendations. They are designed to assist to overcome the deficiences listed above, and to comply with the requirements of the recently enacted Constitutional amendments as they affect capital budgeting and planning, with the ultimate objective of providing in the most effective and economical manner the essential capital facilities to support the Commonwealth's future service goals.

Respectfully yours,

Robert Woodside

Co-Chairman

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"LITTLE HOOVER COMMITTEE"

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SUMMARY OF RECOMMENDATIONS

THE GOVERNOR'S COMMISSION FOR
MODERN STATE GOVERNMENT
"LITTLE HOOVER COMMITTEE"

REPORT NUMBER I

CAPITAL IMPROVEMENTS PLANNING AND BUDGETING

March, 1969

COMMENTS ON

EXISTING CAPITAL BUDGETING AND EXPENDITURE PROCEDURES

Organization for Capital Budgeting

The Task Force on Capital Expenditures recommends that the planning function now carried out by the State Planning Board, as far as it concerns the responsibility for preparation of the capital budget of the Commonwealth, including a five-year program of capital expenditures, be reorganized in such a manner as to make capital improvements planning an integral part of the functions of the Governor's Office and staff.

In order to carry out this recommendation, the Task Force urges the following changes:

1. Have the Planning Director appointed by and directly responsible to the Governor, to serve at his pleasure, at a salary commensurate with the responsibilities of the office. The Planning Director would be on a coordinate level with the Secretary of Administration and, if the office is separate, the Budget Secretary.

2. Assign to the Planning Director and staff the functions of reviewing all requests for items to be included in both the five-year capital budget and the five-year operating budget required by the recent amendments to the Constitution; the coordination of the long-range programming aspects of a planning-programming-budgeting system; and the regulation and coordination of long-range departmental planning. The preparation of both the five-year and annual capital and operating budgets should be the responsibility of the Budget Secretary. It should be the responsibility of the Planning Director and Budget Secretary to coordinate the long-range planning processes, with the Governor making final determinations.

3. The State Planning Board, as an advisory body to the Governor, would receive its staff support from the Planning Director and his staff.

4. Require the State Highway Commission to submit to the Planning Director for review and submission to the Budget Secretary for incorporation into the five-year capital budgets, the Commission's long-range highway program.

5. Require all requests for authorizations of new community colleges to be reviewed by the Planning Director prior to transmittal to the Governor for his approval so that the capital costs created by such authorizations may be included in future five-year and annual capital programs.

6. Require all other agencies of the Commonwealth which propose to spend funds from whatever source, whether borrowed under new or prior authorizations, or from Federal grants or state taxes or other revenues, to submit to the Planning Director their programs prior to inclusion in the capital programs of the Commonwealth.

7. Request the Attorney General and his staff to review existing laws on planning and budget and related matters with a view to recommending specific changes in statutes which will be required to provide the legal basis for carrying out the recommendations of the Little Hoover Committee.

Definitions of Capital Budget Items

8. Establish a definition of capital expenditures to include administrative costs related to design and construction of capital facilities, to be drawn up by the Planning Director in consultation with the Secretary of Administration and, if a separate office, the Budget Secretary for review and approval of the Attorney General.

9. Include in the capital budget all items of a capital nature, to include equipment expenditures, which previously have been included in operating budgets. (Note: Items included in the capital budget may be financed from current revenues, as well as from borrowing proceeds.)

10. State expenditures in the form of subsidies paid to local governments or private institutions in support of their capital outlays should either be included in the Commonwealth's capital budgets, or identified and cross-referenced to the appropriate sections in the operating budget where they are set forth as subsidies.

11. For purposes of computing the constitutional limitation on debt which can be incurred to finance capital expenditures, a clear statutory definition of the term "revenue" should be enacted.

Capital Improvements Planning Procedures

Virtually all of those who testified before the Task Force on Capital Expenditures were in accord that the most glaring deficiency in the Commonwealth's capital improvements planning process is the lack of careful and adequate "pre-planning" - planning at the conception and earliest stages of consideration of a project and prior to its approval for construction.

To assist in correcting this deficiency and to otherwise improve and expedite the capital budget procedure, the following recommendations are offered:

12. Each Commonwealth department or other agency utilizing and having control over land, buildings or other capital improvements should be required to prepare and periodically to up-date long-range capital development plans, setting forth plans for utilization of existing facilities and of proposed future land and structures acquisitions. Such plans should be clearly related to approved future functional and program objectives, and should project the relationship of capital plans to operating expenditures (and revenues where applicable) for a minimum future period of five years. Where applicable, supporting individual "campus plans" for state-owned, aided or related institutions should also be prepared and regularly up-dated. All plans should be prepared according to general criteria and standards promulgated by the Planning Director, and should be submitted to him. In turn, such plans should be submitted to the Planning Board for its review and comments or recommendations to the Governor, who should give final approval to each agency's plans. After a given date, no agency requests for capital improvements to be included in long-range or current annual capital budgets should be accepted unless an approved long-range capital improvements development plan has been submitted and approved.

13. To encourage serious departmental concern and participation in five-year capital budget processes the Budget Secretary, in concert with the Planning Director, should reject for inclusion in the current

annual capital budget any project not previously included and approved in the preceding five-year capital budgets, making exceptions only in cases of clear, urgent and defensible emergencies.

14. Facilities, resources and funds should be made available to all appropriate agencies for adequate pre-planning of structural improvements at conception of the project, including an architectural program, site and services availability investigation and cost estimate. More detailed pre-planning, including refined plans and revised cost estimates, should be prepared prior to inclusion of the project in a current annual capital budget. Ultimately, projects submitted for inclusion in either long-range or current annual capital budgets should be rejected if proper pre-planning has not been performed and plans submitted.

15. As a further aid and support for realistic capital improvements planning, it is considered essential that the often-proposed and often-delayed preparation of an inventory of all Commonwealth-owned land and improvements be undertaken promptly, and responsibility and procedures be established for maintaining the inventory as a perpetual record available to the using agencies, agencies responsible for building construction and maintenance, and the Planning Director.

Adoption of Capital Budget and Capital Programs

Act 217, the Capital Facilities Debt Enabling Act enacted in 1968 and to be revised or extended on or before February 28, 1969, provides the machinery for implementing the annual capital budget.

In addition, the revised State Constitution, effective on or before July 1, 1970, will require the submission to the General Assembly of a five-year operating and a five-year capital program. There is no provision in the constitution for action on either of these programs by the State Legislature.

However, the Task Force of the Little Hoover Committee recommends that:

16. The General Assembly, in its revision of the Capital Facilities Debt Enabling Act of 1968, consider the feasibility of endorsing or adopting in some manner, preferably by joint resolution of both

Senate and House of Representatives, the five-year capital program, if not both programs.

17. The Task Force also recommends that in fixing any permanent dates both for submission and action by the General Assembly on budgets and five-year programs, the General Assembly recognize the desirability of taking action on capital programs in advance of the operating programs, so that the operating programs will receive the necessary funds to carry out programs envisioned by capital expenditures.

18. It is also recommended that the General Assembly devise an appropriate means of requiring that new capital programs which it proposes be added to or subtracted from the recommendations made by the Governor be submitted via the Governor to the Planning Director for his comment prior to the action being taken, in order that the legislature, in acting thereupon, may have the benefit of the staff work that the planning staff must be capable of providing.

19. Finally, it is extremely important under the constitutional debt limitation provisions recently enacted that budgeted capital outlays proposed to be financed from proceeds of borrowing be coordinated with current and future estimated annual amounts that may be borrowed under the debt limitations. Appropriate cash-flow statements and projections should be prepared and submitted with both five-year and current annual capital budgets to assist in maintaining realistic limits on debt to be authorized, in relation to debt which may actually be incurred under constitutional limits.

Execution of Capital Budget

20. It is recommended that the responsibility for supervising the design and construction of Commonwealth non-highway public works be centralized in the Department of Property and Supplies or its successor agency.

21. It is recommended that a board similar in composition to the General State Authority board, composed of members representing the executive and legislative branches, but not necessarily either cabinet officers or legislators, to be appointed by the Governor and the respective heads of the two branches of the General Assembly, be established for the purpose and with the responsibility of reviewing and approving the acceptance of bid proposals in excess of amounts estimated in the capital budgets, including highways, and allocating the necessary additional funds from amounts earmarked for that purpose by the General Assembly; and in addition, that the Board, to be known as the Public Works Commission, also review the qualifications of architects and engineers seeking appointments by the Commonwealth with a view of creating lists from which the appropriate executive appointments can be made.

ORGANIZATION FOR CAPITAL BUDGETING

Review and Appraisal

The capital expenditure structure in the Commonwealth of Pennsylvania separates into substantially three areas, namely, planning, budgeting and execution.

The first is variously conducted by (a) individual agencies and program developers in government (b) interested groups outside government and (c) the State Planning Board. The last is the only one formally charged by law with this function. It is a function granted it in the most general terms by the law outlining planning functions of the Planning Board which states:

> Prepare, amend and keep up to date, a long-term development program of all major State improvement projects. The public works program so prepared shall be a comprehensive construction and financial program covering a long-term period and shall be prepared in consultation with the several State departments for the purpose of assisting, by long-term budgeting of capital expenditures, in stabilizing industry and employment by promoting the planning and timing of public works within the State and by the elimination of unplanned, untimely, unnecessary and extravagant projects. All State departments, divisions and officials shall submit their respective long-term programs and proposals for the information of the board. The board shall encourage the preparation of detailed plans for construction projects by the departments, boards, commissions and other agencies of the State. All plans for all projects as enumerated above and originating under whatsoever authority or department shall be presented to the State Planning Board for its information when first taken under consideration by such authority or department and in a preliminary form. The public works program shall be revised annually for the purpose of extending it one year in the future and a report thereon shall be submitted by the board to the Governor once a year, or more often if requested by the Governor. It shall also be the duty of the board to promote and encourage the development of similar public works programs in the various political subdivision of the State and to coordinate local public works programs where joint action is required.

This was enacted in 1949 and is the basis for the publication in recent years of printed capital works programs which have received insufficient attention by the General Assembly which ultimately must implement any public works program, however financed.

The law as enacted in 1949 appears to have all the elements necessary for the development of a successful public works program, but unfortunately it lodged authority in an agency which could only carry out the function proposed by assuming powers delegated by other laws to other agencies of more importance to the Governor and to the General Assembly.

In other words, as long as the Planning Board went through the motions of preparing a public works program but actually did not do so, it ruffled no feathers, stirred up no hornets nests and was ignored. But the moment it attempted, as the law clearly contemplated, developing not only public works plans but the means of financing them, it was in deep difficulties.

Consider for a moment the implications of financing — the financing could be done only in three major ways (a) from debt (b) from current revenue or (c) by self-liquidation from earnings of projects or programs earmarked to pay off debt.

But nowhere was the Planning Board given either the authority to contract debt or to determine what part of the Commonwealth's current tax revenues should be devoted to the financing of a particular public works project which is considered worthy and necessary.

Consider the relation of the Planning Board to the Governor.

While located within the Governor's office for administrative services purposes, it is an independent body in that its members appointed by the Governor serve for overlapping terms that can extend beyond the term of the appointing Governor. Thus, by law the original terms of four expire in one year, the terms of four others in the following year, the terms of another four in the third year, and the terms of the last three in a fourth year. This means that it is not until the final year of a Governor's term that all members whom he is eligible to name are of his selection. What is even more important is the fact that at the beginning of his term, he can appoint only three or four, depending on what terms are expiring, and if the Governor is unable to win immediate confirmation of his

appointees by the Senate, he will have no advocates on the Board except those who are also members of his cabinet, who serve as ex-officio members of the Board, viz. the Secretaries of Agriculture, Commerce, Community Affairs, Highways and Forest and Waters.

The chief objection to a board of this sort is that the membership has tended to be bipartisan in an agency charged with one of the most sensitive jobs in government, viz. deciding what capital projects the Commonwealth will undertake to advance its programs and the priority given such projects.

If a Planning Director is really going to plan and is going to have any kind of voice in deciding what portion of the state's resources is to be devoted to capital and, within a capital program, how each program or category is to fare, that individual must be directly responsible to the Governor in fact as well as on paper.

Preparation of Capital Budget

Three approaches can be taken to the preparation of the capital budget.

The first approach would be the continued use of the State Planning Board with its authority and responsibilities more clearly stated in relation to the operating budget. If this approach is adopted, then it would also be necessary to revise membership on the Board so that members serve at the pleasure of the incumbent Governor, and also to eliminate operating department heads from membership on the Board and replace them, possibly with the Budget Secretary, the Secretary of Administration (if a separate office) and the Secretary of Public Affairs. The purpose of adding these staff officers of the Governor is to give him a strong voice in the Planning Board deliberations, something which he now lacks.

The focus of the Planning Board would be placed on the preparation of a five-year plan of public works rather than the annual capital budget. If this occurs, then the current year of the five-year plan would be the current capital budget.

A second alternative is to assign the full task for preparing the capital budget and the capital five-year plan to the Budget Office which is now in the process of developing a new Programming, Planning-Budget System with this goal in view. This would require either the outright abolishment of the capital improvements planning role of the Planning Board, or a severe curtailment of its present powers.

A third and, so far as the Task Force is concerned, preferable alternative, would be to establish as an integral part of the Governor's office, a Planning Director appointed by the Governor. The Planning Director would cooperate with the Budget Secretary in the formulation of both the capital and the operating five-year budgets required by the Constitution. Both current and five-year capital and operating budgets would be prepared by the Budget Secretary. In the preparation of the five-year budgets, the Planning Director would receive, review and prepare recommendations on all requests for items to be included, and would submit his recommendations to the Budget Secretary. In the event the Budget Secretary should not concur with the recommendations of the Planning Director, the issue would be resolved by the Governor.

A major responsibility of the Planning Director would be to ascertain that long-range budget requests are supported by evidence of adequate planning, in accordance with planning criteria promulgated by him.

A determination also must be made whether the Highway Commission, as now constituted, would be continued. It would in a sense be vieing with the Planning Director and the Budget Secretary in the formulation of a long-range capital program because it is soon going to be apparent that a major component, if not the major component, of any five-year capital program, will be the construction of highways.

Actually there should not be two authorities preparing public works programs. The Budget Secretary, if he is the official ultimately deciding needs and uses of

resources, must not have a rival in this field, vieing for the same resources, viz. the borrowed funds available under the new constitutional ceiling. The new debt limit makes this consideration an imperative one if any future programming of available resources for capital works is to function.

Similarly, the functions of the State Board of Education in the development of facilities for higher education, must be reviewed. It must not be empowered to approve new community colleges and other educational programs, involving vast capital commitments, without first having its place designated for it in a long-range capital program. This also would apply to Federal capital funds allocated by the Higher Education Facilities Commission.

As an example of the problem in the current year, the Department of Public Instruction lists two new community colleges. What this means in terms of capital commitments against the Commonwealth's fairly rigid debt limit, is completely unknown. This is surely part of the capital program since community college construction, no matter who undertakes it, represents a 50 percent commitment on the part of the Commonwealth for capital expenditures.

Conflict with Budget Law

Two other facets of existing law which require consideration in connection with any revision of the procedures for the development of capital works programs are, first, Section 601 of the Administrative Code which is the basic authority for the Governor's budget. It has been generally assumed that this applies only to the operating budget, but this is not a fact so much as historical precedent. The language of Section 601 is so broad that it encompasses all budget making, both operating and capital, and grants powers specifically to the Budget Secretary which are in direct conflict with those assigned the Planning Board in the State Planning Code of 1949, a portion of which was cited above. This same law, however, states that the Planning Board is subject to all the provisions of the Adminis-

trative Code of 1929, without qualification of any kind, which would appear to indicate that as far as the implicit conflict that exists between the powers on budgeting granted to the Budget Secretary and those given the Planning Board on budgeting of capital works is concerned, it is immediately resolved in favor of the Budget Secretary and this has in fact been more or less the situation.

Historically, when the Planning Board has sought to exercise the powers clearly conferred on it by the Planning Code without regard to the Budget Secretary exercising the same powers, if the Budget Secretary has entered specific and energetic objections, the Planning Board has generally vacated the field or at least sought some kind of truce with the Budget Secretary.

But the conflict has never been satisfactorily resolved and it must be, if orderly capital budgeting is to be maintained.

The second factor involves the provisions of the new Constitution which, for the first time, not only requires an annual operating budget, but also an annual capital budget, apparently to be presented separately. In addition, the Governor is charged with submitting a five-year operating plan and a five-year public works plan. Only the current annual capital budget must be adopted by the General Assembly.

However, the Constitution also states that the operating budget appropriations of the General Assembly in any given year cannot exceed the actual and estimated revenues available and surplus, if any. This replaces the former constitutional requirement for a balanced budget that was fixed by the Constitution's $1,000,000 debt limit, now eliminated.

It is an interesting sidelight that the new Constitution, while permitting the legislature to authorize borrowing for specific capital projects itemized in the capital budget, bars both the executive and the legislature from borrowing anything for non-capital purpose without the explicit approval of the electors.

The only exceptions are debt required to suppress insurrections, or to rehabilitate areas devastated by natural or man-made disasters.

DEFINITIONS FOR CAPITAL BUDGET ITEMS

Lack of Definitions

It is worthy of comment that as of now there is no statutory definition of a capital project. Up to the present, in the Commonwealth it has been limited to physical things built or purchased for the Commonwealth.

Here are some of the things, not now included, that possibly should be classified as capital items but not necessarily to be financed from borrowed funds:

1. Computers and peripheral equipment purchased by the Commonwealth either outright or on a lease-purchase agreement.
2. Grants to local agencies for capital purposes such as
   a. Industrial development loans
   b. Port development, Philadelphia and Erie
   c. Urban renewal and redevelopment
   d. Airport development
   e. Mining area restoration
   f. Grants to municipalities for construction of utilities serving state institutions
   g. Capital equipment at state-owned and state-related colleges and universities
   h. Rental and sinking fund payments to school districts
   i. Non-operating educational TV grants
   j. Capital payments to community colleges
3. Automotive equipment.

It is also possible that the $1,500,000 earmarked in the Department of Property and Supplies' current appropriation for salaries and expenses for its Bureau of Construction can be construed to be a capital expense in the same

manner as the administrative costs of the General State Authority and other authorities are construed as such.

It should be remembered that the new Constitutional provisions do not require that capital works be paid for with borrowed money. What it does require is (1) that there be a capital budget listing or itemizing projects (and possibly programs), and (2) a plan for paying for them, which in a sense is what the Planning Code now requires of the Planning Board.

What does the Administrative Code now require of the Budget Secretary?

1. It requires him to obtain the information from which a budget is constructed. He is required to prepare the forms and distribute them to the concerned agencies no later than August 15 of the year before the budget is to be submitted. The forms provide that the agencies supply information to the Budget Secretary on revenues and expenditures, a list of appropriations for the current year, the expenditures therefrom, the encumbrances and the unencumbered amounts and estimated amounts of money needed for the coming fiscal year, as well as estimates of revenue.

The Budget Secretary, as such, is not doing everything required here. There is an estimate of expenditures, encumbrances and unencumbered balances prepared and distributed each month but by an office over which he has no control, except when, as is currently the case, the offices of Budget Secretary and Secretary of Administration are held by the same person.

2. The estimates of revenues and expenditures required to be given the Budget Secretary by the departments, boards and commissions and all others are limited to money to be received or spent in a fiscal year, although the Budget Secretary, at the direction of the Governor, may make additional inquiries which presumably would go beyond the fiscal year, if that was the Governor's instruction.

At no point is the Budget Secretary given authority either to alter or amend the estimates, either of revenues or of expenditures. This authority is specifically lodged in the Governor, who can only do so, "after giving to each department, board, commission, institution or other agency, an opportunity to be heard."

The present Administrative Code must be revised to bring it into line with the new provisions of the Constitution, setting forth in more detail than the Constitution does, how the various facets of the budget are to be presented to the General Assembly, and what actions must be taken. Again, there should be a legal definition of what are capital projects, of what should be included in a five-year operating plan and what should be included in a five-year capital plan, and what should be done with them. Furthermore, a legal definition of revenue is badly needed, particularly since this is a term used in both the Constitution and the Administrative Code.

For example, the budget of the Highways Department includes as revenue what is received from non-tax and tax sources, from borrowed funds and from Federal grants, but the General Fund budget does not. Revenue in that case is limited to what is paid into the State Treasury from taxes and related non-tax sources while another rather questionable term of "augmentations" has been applied to a whole range of funds from other sources, particularly Federal.

The fact that the Budget Office does not include Federal funds as revenues in the General Fund budget results in greatly distorted fiscal data, because while the expenditures do incorporate Federal funds in the proposed spending, the so-called augmentations are appropriated only in blanket terms. There is no attempt whatsoever to control the expenditure of borrowed funds except by blanket appropriations made at the time permission is granted to borrow, which may come at one time for a particular bond issue, or for a whole range of expenditures on other occasions.

This has been done so often and so frequently that no one ever raises the question anymore whether this conforms with those provisions of the Constitution which read:

Article III, Section 11:

> The General Appropriation bill shall embrace nothing but appropriations for the executive, legislative and judicial departments of the Commonwealth, for the public debt and for the public schools. All other appropriations shall be made by separate bills, each embracing but one subject.

Then we have Section 24

> No money shall be paid out of the treasury except on appropriations made by law and on warrant issued by the proper officers.

Whether blanket appropriations extending over a year or many years, such as the appropriation of all moneys in the Motor License Fund to build highways, meet these two Constitutional requirements is open to question.

CAPITAL IMPROVEMENTS PLANNING PROCEDURES

The oonclusion of the Task Force on Capital Expenditures as to the outstanding deficiency in the Commonwealth's public improvements planning processes tends to substantiate similar conclusions of prior studies by the Pennsylvania Economy League, by Day and Zimmerman, Inc. and by the Stanford Research Institute (unpublished). This conclusion is that a major - if not the major - cause of delays in design and construction, changes during construction, erroneous cost estimates and unsuitable finished projects is the inadequacy or total absence of proper and realistic preliminary planning (pre-planning) from the earliest stages of conception of a capital improvement project.

Instances are cited in the aforementioned study reports, and have been augmented by those testifying before the Task Force, where:

At the outset of design of an approved project, the proposed building site is found to be unavailable or unsuitable; or no provision is made for providing necessary utility services;

At the opening of bids, cost estimates are found to be totally unrealistic;

During design stages, the basic design features or characteristics and even the use concept of the project are almost totally altered;

During construction, major alterations of design and purpose are requested and undertaken;

After completion, alterations and additions are begun almost immediately in some instances, while in others, portions of completed facilities go unused or are used for unintended purposes.

The blame for the excessive delays and costly changes resulting from these instances can usually be traced to lack of clear, carefully developed concepts of need and of utilization and general design criteria at the time a project is conceived by the using agency, or subsequently at the time it is successively approved by the department head, the State Planning Board, the Governor and the Legislature.

The most common recommendation to correct this major deficiency has been to initiate formal, professional pre-planning at the earliest stages of conception of all major building projects, to include development of an architectual concept or program, specification of general design criteria and estimation of construction costs.

According to testimony received by the Task Force, steps toward carrying out this objective have been initiated through the General State Authority. Regardless of any changes which might take place in the organizational responsibilities for design and construction of Commonwealth capital improvements, the need is evident for carrying forward this program.

Another major impediment to effective capital improvements programming or budgeting is the absence or inadequacy of comprehensive long-range programs for development of Commonwealth institutional facilities. Such comprehensive plans should be prepared for each major function and for each institution utilizing state-owned or state-aided buildings, and should clearly relate future capital development plans to approved operating program goals and objectives. Availability of comprehensive development plans is essential to permit realistic and reliable judgments as to individual projects requested to be included in five-year or annual capital budgets.

A further essential aid to sound capital budgeting is a central perpetual inventory of state owned land and improvements. Earlier reports on the Commonwealth's capital budget procedures have recommended that such an inventory be conducted, but no specific action has been taken apparently due to lack of available funds for this purpose.

In addition to the need for preliminary and basic comprehensive planning, aided by a capital facilities inventory, it is important that those responsible for preparing and making decisions on capital budgets, proposed to be the Planning Director and Budget Secretary, exert certain disciplinary measures to assure serious partici-

pation by those agencies submitting capital budget requests. The objective should be to make certain that adequate preliminary planning has been completed prior to submission of capital improvement project requests, and that projects to be incorporated in current annual capital budgets have been submitted and approved for inclusion in prior five-year capital budgets.

EXECUTION OF CAPITAL BUDGET

A major problem in connection with the capital budget revolves around its execution. This has been a divided responsibility at present with the Highways Department alone responsible for the highway construction program, but both the General State Authority and the Department of Property and Supplies responsible, in an overlapping fashion, for its execution.

There seems to exist a unanimity of view that one agency should be solely responsible for public works, exclusive of highways. But there is no agreement on whether that agency should be the General State Authority as presently constituted, the Department of Property and Supplies with an expanded Bureau of Construction, or an entirely new agency - a Public Works Administration or some such title. The advantages of one agency are too obvious; the disadvantage of several agencies sharing responsibility is that no agency is really responsible and more time is spent avoiding responsibility and decisions than in executing the budget.

It obviously would be an advantage to any administration to have its building agency directly responsible to it in the same manner as the Highways Department is now part of the administration. What has been proposed is that if the responsibility for public works is given to the Department of Property and Supplies or a new agency under the Governor, then there should be created a new independent board, composed jointly of representatives of the executive and the legislative branches, with the all important function of passing on more than normal additional authorizations in the cost of projects. This function is now performed by the Board of General State Authority. The new board, suggested to be named the Public Works Commission, would also have the function of recommending to the Governor panels of architects and consultant engineers from which he will make selections for design and engineering of public improvements.

If such a plan is adopted, the necessity of retaining the General State Authority, except for the purpose of liquidating existing Authority financing, will vanish. Its staff will naturally continue to serve the State as before but under different management. Even if the Authority is retained, it will be necessary to decide if borrowed funds should be used for payment of Authority administration costs.